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# Republican Policy Committee

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## Republican Retorts As Clinton Distorts

### 1. The Republican Medicare Reform plan will "dismantle Medicare as we know it." (President Clinton, *Washington Post*, 9/16/95)

- Hardly. In fact, the Republican plan starts from the premise that Medicare must be saved.
- Our plan is a direct response to this year's Medicare Trustees' report, which stated that the Medicare Part A trust fund will begin running deficits as early as FY 1997 and will be bankrupt after FY 2002.
- If Medicare's trust fund solvency is not maintained, it can not meet the payments of seniors' health care needs.
- Both the House and Senate proposals take maintaining traditional Medicare as the starting point in their expanded list of Medicare options. No senior will be forced to leave the Medicare she knows.
- In short, doing nothing will dismantle Medicare; the Republican proposal will sustain it.

### 2. "The GOP is cutting Medicare to pay for tax cuts for the wealthy." (President Clinton, *Washington Post*, 9/16/95)

- President Clinton is not just comparing apples to oranges, he's tossing a fruit salad.
- Medicare is going bankrupt — the Medicare Trustees say so. This is true regardless of tax cuts and regardless of whether the budget is balanced.
- Medicare's special trust funds status prevents its receipts from being used for tax cuts — that's the law.

— Medicare's Part A and Part B are separated from the rest of the budget by their trust fund status. Both are supplied by direct contributions —

from workers' contributions in the case of Part A, and from beneficiaries and taxpayers in the case of Part B.

— As such, any restraint in the rate of Part A spending stays in the Part A trust fund — it can not be used to pay for tax cuts.

— In the case of Part B, all beneficiary premiums must go to this trust fund as well — they can not be used for tax cuts either.

- In addition, the Senate Finance Committee version includes a "lock box" that guarantees that any savings originating from our Medicare proposal will go to the Medicare Part A trust fund — the trust fund that faces imminent bankruptcy.

— This "lock box" mechanism actually **strengthens** current law.

**3. "The Republican Medicare plans are cloaked in a 'dense fog of unspecified savings, unverified numbers, and unrealistic promises.'" (House Minority Leader Richard Gephardt, *Washington Post*, 9/16/95)**

- Not according to the Congressional Budget Office (CBO) — the same agency that is unable to estimate the Democrats' plan for precisely these reasons.
- We have relied on CBO every step of the way — the same independent, nonpartisan estimating agency Clinton promised to rely on when he first took office.
- According to CBO, the Republican proposal will extend Medicare Part A's solvency beyond its estimating projections, it will increase spending at twice the rate of inflation, it will increase overall Medicare spending and the per-beneficiary amount in each and every single one of the plan's seven years: **No cuts, no bankruptcy, no bull.**

**4. "There is no way to make cuts of that magnitude without hurting real, flesh and blood human beings by jacking up premiums, by forcing seniors to give up the doctors they have known for decades, by crowding out the kinds of quality care and cutting-edge medical research that save lives." (Gephardt, *Washington Post*, 9/16/95)**

- This is the Democrats' only real response to Medicare's impending bankruptcy — Medi-scare. In fact, the *Washington Post* dubbed the Democrats "Medagogues" in editorials published on September 15 and 25.

- Even the Democrats don't believe this "medagoguery." In the words of Rep. Jim Moran (D-VA): "[The Republican Medicare Preservation Act — the House bill — is] not nearly as Draconian as it was assumed by us Democrats. . . I'm not sure how many of us would be willing to admit that." (Quoted in *The Hill*, 9/27/95, ellipses in original)
- First, this imagined worst-case scenario for Medicare will only come true if we let the system go bankrupt, which is evidently the Democratic plan, since silence in the face of crisis equals assent.
- Second, there are no "cuts" in Medicare spending. According to CBO, Medicare spending will increase at roughly twice the rate of inflation over the next seven years. That's the same rate of increase that President Clinton himself called for on October 5, 1993, at the AARP Presidential Forum:  
  

"Today. . . Medicare [is] going up at three times the rate of inflation. We propose to let it go up at two times the rate of inflation. That is not a Medicare. . . cut. . . So only in Washington do people believe that no one can get by on twice the rate of inflation."
- Third, the Republican plans will not force anyone to give up anything. Instead they will offer more options — in addition to the option of staying right where they are.
- Finally, Medicare has not been "cutting-edge" for 30 years. Rather, for too long the program had relied on a bureaucratic nightmare of approved procedures and fixed payments to deliver a one-size-fits-all fixed set of services.

**5. The look-back provision in the House Republican plan looks remarkably "like the price controls that Republicans vehemently denounced as a feature of President Clinton's health care reform plan." (*New York Times*, 9/15/95)**

- The two plans could not be more dissimilar, either in general, or in this particular detail.
- The Clinton plan was about giving government the right to choose America's health care. The Republican Medicare reform plan is about giving seniors the right to choose their own health care — including the right to stay where they are.

- In contrast to the Clinton price controls that were aimed at America, the "look-back" provision is directed at Congress. Unlike the Clinton plan, the Republican "look-back" provision insures that we keep our promises, not force ordinary Americans to make up for the government's mistakes and inability to control spending.
- Remember, if we keep spending at the rate we are, the Part A trust fund is bankrupt after FY 2002.

## **6. The Republican's "untested" voucher and Medical Savings Account plans 'go too far, too fast.'" (Martha McSteen, National Committee to Preserve Social Security and Medicare, Congress Daily, 9/15/95)**

- This is part of the Democrats' strategy of delay designed to maintain the status quo. This is exemplified by House Democrat Minority Leader Gephardt's recent comment: "The program's not going broke tomorrow. . . We have insolvency problems in 2002" [NBC's Meet the Press, 7/30/95].
- The Trustees' report demands quick and decisive action. On pages 2-4, their report states: "The HI program is severely out of financial balance in the short range. . . . The Trustees believe that prompt, effective, and decisive action is necessary." The same urgency, in fact the same words — "The Trustees believe that prompt, effective, and decisive action is necessary" — are used in their Part B report as well.
- Medicare is going broke tomorrow — just because it has not yet arrived is no reason for false comfort. The Part A trust fund begins paying out more than it takes in as early FY 1997 — one year from now — and will continue running deficits every year until it is bankrupt five years later.
- The reform must be far-reaching. The part of Medicare that is going bankrupt is that part of Medicare that covers every eligible senior — not just a part of the elderly population, all of it.
- The "Fabian" Democrats are asking seniors to risk their health care needs for the sake of Democrats' political health. We know what will happen if we do nothing — delayed reform and continued spending is what got us here in the first place.

**7. "An MSA [medical savings account] option for Medicare beneficiaries is likely to increase premiums for beneficiaries who opt to stay in the current Medicare program. .MSAs lead to what is known as adverse selection — a process whereby insurance companies are able to attract the least expensive and healthy beneficiaries and avoid the more expensive, more vulnerable population."** (Laura Tyson, National Economic Advisor, *Congress Daily*, 9/13/95)

- No one is required to leave the traditional Medicare system they know, no one is required to use MSAs, and no one is prevented from going into any type of approved plan they choose: No one, healthy or unhealthy, is locked in or locked out of any approved plan.
- In contrast to Administration claims, MSAs are exactly the kind of innovation Medicare needs. By giving seniors the option to choose how they wish to spend or save the government contribution, we are putting seniors back in charge of their health needs.
- In fact, MSAs should be just as attractive to the sick as to the healthy. Why? Because the MSA option is linked to the purchase of catastrophic coverage. And Medicare is frequently supplemented now with Medigap policies. After the purchase of catastrophic coverage, the individual then pays an amount up to his deductible from the funds in the MSA.
- The MSA not only requires the protection against costly illness, but it provides the flexibility through the money in the account to purchase exactly the kind of medical services that the individual needs.
- These benefits will not only accrue to those who are sick now, but to those who wish to guard against sickness in the future by saving now for that time.
- MSAs will not attract away the healthy because the incentives for the sick are just as great.
- The Republican proposal requires insurance to be offered on a first-come first-serve basis as well. Our proposal is built on the right to choose — not the right to exclude.

**8. The Republican plan requires too much from beneficiaries.**

- The Republican plan is a balanced one that fairly distributes its spending restraints on doctors, hospitals, and the top income earners. And all these participants will equally benefit from an improved and strengthened system that does not go bankrupt after FY 2002.

- This distortion only applies to the voluntary portion of Medicare — Part B — that no one is required to take and hence no one — even those who could be affected if they choose to participate — is required to pay.
- For the vast majority of beneficiaries — more than 90 percent — premiums are held at the same percentage rate (31.5 percent, which is less than a third of the total it costs to provide Part B) that they are now.
- Requiring the affluent to pay a little more than one-third of the cost of this part of their health care is a reform that everyone has agreed on — even President Clinton. The President included this reform as part of his health care bill last year, and as part of the massive tax increase in 1993, and it was recommended by the Entitlement Commission he himself appointed to make these kind of suggestions.

**9. "\$89 billion of less spending or adjustments in Medicare is what is needed in order to make it solvent, not \$270 billion."** (Senator John Breaux, Press Conference, 9/14/95)

- CBO, the same estimating arm that Clinton promised to adhere to for budget figures when he took office, does not accept this \$89 billion figure. In fact, the agency is unable even to begin examining this number's validity because there has been no information provided to explain how it was derived or how it will work.
- Even if this pie-in-the-sky figure were true, it raises some interesting questions:
  - First, why did the Clinton Administration by its own admission include "net savings of \$124 billion in Medicare" ("The President's Economic Plan: A Balanced Budget That Puts People First," p. 2) — a figure which is almost 40 percent higher?
  - Second, why is it that, according to a member of the President's own party, the White House's figure "actually amounts to \$192 billion using the same calculations used to determine the Republicans' Medicare savings. . ." (i.e., CBO's own spending assumptions (Former Rep. Tim Penny, D-MN, *Washington Post* op-ed, 9/28/95).
  - Third, why, if this were an adequate figure, does the Medicare Trustees' own report show a Part A trust fund deficit of \$107 billion as early as FY 2004?

— Finally, why, if this is the magic number that the Administration is now claiming — in contrast to everything they have done in their own Medicare proposals — do they refuse to provide the details necessary to evaluate or implement it?

**10. Means testing is an unfair premium increase on seniors: “*We don’t need means testing for Medicare...*”** (White House Press Secretary, Mike McCurry, Press Briefing, 9/12/95)

- The Administration has a long history of supporting means testing that runs from before President Clinton took office to as recently as this month when the President supported the principle in a speech in Philadelphia.
- Not only has the Administration refuted this assertion in deed, but the President did so in word, just recently at a fundraising dinner in Philadelphia, the President stated (as was reported in the *Washington Post* on September 20): “*Do seniors who have the ability to pay a little bit more have a responsibility to do it because they have very high incomes? I think you can make that case.*”
- Means testing would only be applied to the voluntary portion of Medicare. No one has to take that option and everyone is free to find a better deal in the private sector.
- If this proposal is unfair, is it more fair to have the taxpayer pick up two-thirds of the cost of a wealthy senior’s benefits? To argue that this proposal is unfair is to say that it is more fair for a minimum-wage worker and his or her family to pay more than two-thirds the cost of Ross Perot’s Part B premium.

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